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**BAYOU LABS  
OF LOUISIANA, L.L.C.**

Audits of Financial Statements

December 31, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

10/8/08

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## Independent Auditor's Report

To the Member Hospitals,  
Bayou Labs of Louisiana, L.L.C.  
Raceland, Louisiana

We have audited the accompanying balance sheets of Bayou Labs of Louisiana, L.L.C. (Bayou Labs) as of December 31, 2007 and 2006, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Bayou Labs' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Labs of Louisiana, L.L.C. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of Bayou Labs of Louisiana, L.L.C.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

A Professional Accounting Corporation

September 30, 2008

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**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Balance Sheets**  
**December 31, 2007 and 2006**

	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 329,149	\$ 318,830
Accounts Receivable	-	294,507
Prepaid Expenses	-	21,288
<b>Total Current Assets</b>	<b>329,149</b>	<b>634,625</b>
<b>Equipment</b>		
Radiographic System	1,017,044	1,017,044
Less: Accumulated Depreciation	(1,017,044)	(1,017,044)
<b>Net Book Value</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 329,149</b>	<b>\$ 634,625</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 9,000	\$ 121,798
<b>Net Assets</b>		
Unrestricted	320,149	512,827
<b>Total Liabilities and Net Assets</b>	<b>\$ 329,149</b>	<b>\$ 634,625</b>

See accompanying notes to the financial statements.

**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Statements of Operations and Changes in Net Assets**  
**For the Years Ended December 31, 2007 and 2006**

	2007	2006
<b>Unrestricted Revenue</b>		
Net Patient Service Revenue	\$ 21,282	\$ 114,502
<b>Expenses</b>		
Depreciation	-	96,318
Personnel Cost	4,745	21,567
Maintenance	26,396	18,561
Supplies	3,655	16,615
Professional Fees	9,000	7,825
Insurance	6,916	4,172
Bad Debt	172,428	-
Rent	3,648	3,648
<b>Total Expenses</b>	<b>226,788</b>	<b>168,706</b>
Operating Loss	(205,506)	(54,204)
<b>Non-Operating Income</b>		
Interest Income	12,828	14,394
<b>Decrease in Net Assets</b>	<b>(192,678)</b>	<b>(39,810)</b>
<b>Net Assets</b>		
Beginning of Year	512,827	552,637
Distributions to Members	-	-
<b>End of Year</b>	<b>\$ 320,149</b>	<b>\$ 512,827</b>

See accompanying notes to the financial statements.

**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Cash Flows from Operating Activities</b>		
Decrease in Net Assets	<b>\$ (192,678)</b>	<b>\$ (39,810)</b>
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	-	96,318
Provision for Bad Debts	<b>172,428</b>	-
Decrease (Increase) in Accounts Receivable	<b>122,079</b>	(114,502)
Decrease (Increase) in Prepaid Expenses	<b>21,288</b>	(5,601)
(Decrease) Increase in Accounts Payable	<b>(112,798)</b>	26,725
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>10,319</b>	<b>(36,870)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>10,319</b>	<b>(36,870)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>318,830</b>	<b>355,700</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 329,149</b>	<b>\$ 318,830</b>

See accompanying notes to the financial statements.

## **BAYOU LABS OF LOUISIANA, L.L.C.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

##### **Reporting Entity**

Bayou Labs of Louisiana, L.L.C. (Bayou Labs) was organized on October 29, 1997, as a limited liability company pursuant to the laws of the State of Louisiana. Bayou Labs is a cooperative hospital service organization, which provides on-site and off-site cardiac catheterization laboratory services to patients of its member hospitals: Hospital Service District No. 1 for the Parish of Lafourche, Louisiana, d/b/a Lady of the Sea General Hospital (Lady of the Sea), Hospital Service District No. 2 for the Parish of Lafourche, Louisiana, d/b/a Ochsner St. Anne (Ochsner St. Anne), and Ochsner Clinic Foundation (Ochsner), collectively the Members. Based on the significant control that Hospital Service Districts Nos. 1 and 2 possess over its operations, Bayou Labs is deemed a quasi-public entity.

##### **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Bayou Labs is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Bayou Labs does not have any temporarily restricted or permanently restricted net assets.

##### **Basis of Accounting**

The financial statements of Bayou Labs are presented on the accrual basis of accounting.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Allowance for Uncollectible Receivables**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

##### **Equipment**

Bayou Labs records all equipment acquisitions at cost. Depreciation on equipment is provided on a straight-line basis over its estimated useful life of eight years.

## **BAYOU LABS OF LOUISIANA, LLC**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Revenue Recognition**

Net patient service revenue is recorded by Bayou Labs as procedures are performed.

##### **Income Taxes**

Bayou Labs is a cooperative hospital service organization as described in Section 501(c) of the Internal Revenue Code and, as such, is exempt from Federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

#### **Note 2. Related Party Transactions**

##### **Lease**

The cardiac catheterization laboratory is located at and leases its premises from Ochsner St. Anne for a monthly rental of \$304. The lease was executed effective January 1998, for five years. In January 2004, the lease automatically renewed for additional one-year terms until cancelled by either party. As mentioned in Note 7, this lease was terminated in 2008.

##### **Operations**

Ochsner St. Anne performs the billing and collection functions for the services rendered by Bayou Labs. Revenue earned by Bayou Labs is determined based on a mutually agreed-upon rate per procedure performed. The balance due to Bayou Labs for procedures performed was \$-0- and \$294,507, as of December 31, 2007 and 2006, respectively, and is classified as Accounts Receivable on the Balance Sheets.

Ochsner St. Anne provides labor and supplies for the operation of the cardiac catheterization laboratory. Bayou Labs reimburses Ochsner St. Anne for these expenses at a mutually agreed-upon rate per procedure performed. Agreed-upon rates per procedure are as follows: \$431 for labor and \$332 for supplies. The balance due to Ochsner St. Anne for the labor and expenses was \$-0- and \$121,798, as of December 31, 2007 and 2006, respectively, and is classified as Accounts Payable on the Balance Sheets.

#### **Note 3. Concentrations**

##### **Credit Risk**

Bayou Labs provides services to its member hospitals for their patients, most of whom reside in Lafourche Parish, Louisiana. These patients are typically insured under third-party payor agreements. Bayou Labs grants credit without collateral to Ochsner St. Anne, the member hospital, which performs the billing functions, until payment is received from the third-party payors.

##### **Uninsured Cash Deposits**

Bayou Labs' cash balances exceed, at various times throughout the year, the amount insured by the Federal government.



## BAYOU LABS OF LOUISIANA, LLC

### Notes to Financial Statements

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#### Note 4. Functional Expenses

Bayou Labs provides certain health care services to patients within its geographic location. Expenses related to providing these services are as follows:

	<u>2007</u>	<u>2006</u>
Health Care Services	\$ 22,772	\$ 56,743
General and Administrative	<u>19,564</u>	<u>111,963</u>
Total	<u>\$ 42,336</u>	<u>\$ 168,706</u>

#### Note 5. Risk Management

Bayou Labs carries professional liability insurance for medical malpractice losses up to \$100,000. It is a member of the Louisiana Patients' Compensation Fund, which provides coverage for any such losses in excess of \$100,000 up to the \$500,000 statutory maximum of awards for such damages in Louisiana.

#### Note 6. Compensation of Managers

No compensation was paid to the managers of Bayou Labs during the year ended December 31, 2007.

#### Note 7. Subsequent Event

On June 18, 2008, the Members of Bayou Labs L.L.C. agreed to carry out the liquidation and dissolution of Bayou Labs. The liquidation agreement stated that any receivables or payables between Bayou Labs and St. Anne are deemed to be settled in full; any lease between Bayou Labs and Ochsner St. Anne would be terminated and each party recognizes that no further obligations exist with respect to such lease; Bayou Labs is authorized to sell all property owned to Ochsner Bayou for a total consideration of \$60,000; and, all debts owed by Bayou Labs will be paid and any remaining cash balance would be distributed equally to Ochsner, Lady of the Sea, and Ochsner St. Anne.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Member Hospitals,  
Bayou Labs of Louisiana, L.L.C.  
Raceland, Louisiana

We have audited the financial statements of Bayou Labs of Louisiana, L.L.C. as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 30, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Bayou Labs of Louisiana, L.L.C.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bayou Lab's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bayou Labs of Louisiana, L.L.C.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bayou Labs' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Bayou Labs of Louisiana, L.L.C.' financial statements that is more than inconsequential will not be prevented or detected by Bayou Labs of Louisiana, L.L.C.'s internal control. Control deficiencies are described in the accompanying schedule of findings as item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bayou Labs of Louisiana, L.L.C.'s internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the control deficiencies described above, we consider item 2007-1 to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bayou Labs of Louisiana, L.L.C.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of Bayou Labs of Louisiana, L.L.C., and the Legislative Auditor for the State of Louisiana, and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

September 30, 2008

**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Schedule of Findings**  
**For the Year Ended December 31, 2007**

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**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Bayou Labs of Louisiana, L.L.C.
2. One material weakness was identified during the audit of the financial statements. This weakness is explained in detail below and is referenced as 2007-1.
3. Bayou Labs of Louisiana, L.L.C. did not receive any Federal awards during the year ended December 31, 2007.

**B. Findings - Financial Statement Audit**

**1. Finding 2007-1 - Agreements of Related Parties**

During our audit, we were not able to obtain a contract supporting the terms of the agreement between Bayou Labs and member, Ochsner St. Anne General Hospital (St. Anne). A contract should outline the calculation of revenue per unit and cost per unit for the medical procedures, which are performed by St. Anne personnel on St. Anne premises. We recommend that management substantiate all related-party transactions with written documents.

**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended December 31, 2006**

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**1. Finding 2006-1 - Agreements of Related Parties**

During our audit, we were not able to obtain a contract supporting the terms of the agreement between Bayou Labs and member, Ochsner St. Anne General Hospital (St. Anne). A contract should outline the calculation of revenue per unit and cost per unit for the medical procedures, which are performed by St. Anne personnel on St. Anne premises. We recommend that management substantiate all related-party transactions with written documents.

Status: Finding unchanged.

**2. Finding 2006-2 - Compliance with Laws and Regulations**

Bayou Labs of Louisiana, L.L.C. was unable to file its annual audit in accordance with LSA-RS 24:514, 33:463, and/or 39:92. The primary cause of the untimely filing was the fact that the independent auditor was unable to complete the report prior to June 30, 2007, as understood by Bayou Labs of Louisiana, L.L.C.

Status: The audit reports are being filed as requested by the Legislative Auditor's office.

**BAYOU LABS OF LOUISIANA, L.L.C.**  
**Corrective Action Plan**  
**For the Year Ended December 31, 2007**

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**Corrective Action Plan**

Bayou Labs of Louisiana, L.L.C. respectfully submits the following Corrective Action Plan for the year ended December 31, 2007.

**Finding - Material Weakness in Internal Control Over Financial Reporting**

**2007-1 Agreements of Related Parties**

**Description of Finding**

Bayou Labs has been unable to obtain a contract supporting the terms of the agreement between Bayou Labs and member Ochsner St. Anne General Hospital. A contract should outline the calculation of revenue per unit and cost per unit for the medical procedures performed by St. Anne.

**Corrective Action Plan**

Bayou Labs is attempting to locate a written contract supporting the terms of the agreement between Bayou Labs and Ochsner St. Anne General Hospital. If unable to locate the contract, Bayou Labs will contract legal counsel to draft an agreement dictating the terms to be signed by both parties.

**Contact Person:**

JOHNNY EYMARD

**Anticipated Completion Date:**

Corrective Action was implemented during 2008.

JOHNNY EYMARD  
DIRECTOR OF ACCOUNTING